



June 1989

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National Defense

Housing Allowances: Equity Issues for Certain Military Members

GAO/NSIAD-89-134, June 8.

To alleviate perceived inequities in the military housing allowance system, the Department of Defense in 1987 submitted to the Office of Management and Budget two proposed legislative changes to the housing allowance program. These changes involved the amount of housing allowance paid to service members married to other members and divorced members. GAO found that the laws and regulations governing housing allowance are very complex and their application results in many groups of service members, including dual-service and divorced members who pay child support, being treated differently; however, opinions vary on whether this is unfair or inequitable. Also, adopting DOD's proposal to correct the perceived inequities for these two groups may serve to magnify perceived inequities for other groups. The Secretary of Defense should withhold the current legislative proposal on dual-service couples and divorced members paying child support until the Senate-mandated review of the housing allowance system is complete, and submit it then only if warranted.

Federal Personnel: Defense Department's Hiring of Teachers for Overseas Schools

GAO/GGD-89-82, June 14.

The Department of Defense has statutory authority to establish its own personnel hiring policies for teachers. Using this authority, DOD established a hiring policy that gives preference (1) to teachers residing overseas over teachers residing in the United States and (2) among teachers residing overseas, to dependents of military personnel and federal civil servants stationed overseas. The policy also provides temporary appointments for some teachers residing overseas. DOD is currently developing a computerized information system for tracking the number of teachers hired, whether the teachers are hired overseas or stateside, and whether they are dependents of military or civilian personnel.

Acquisition Reform: Military Departments' Response to the Reorganization Act

GAO/NSIAD-89-70, June 1.

In response to the Goldwater-Nichols Department of Defense Reorganization Act of 1986, the military departments reorganized their headquarters acquisition management structures. This reorganization was

intended to strengthen civilian control over the acquisition process and reduce layering and duplication within the headquarters. The Reorganization Act is succeeding in its goal of strengthening civilian control. Secretariat officials are now responsible for most acquisition functions. Their day-to-day involvement in the conduct of the acquisition function has increased, particularly in the Army and Air Force. GAO is concerned that the Air Force and Navy reorganizations do not comply with the requirements of the act to designate a single office or other entity in the secretariat to conduct the acquisition function. Career civilians hold senior leadership positions in the Army and Navy acquisition secretariats. In the Air Force, military officers dominate the leadership positions in the acquisition secretariat.

**Army Ammunition:
Acquisition of the M762
Electronic Time Fuze and
the XM900E1 Tank Round**

GAO/NSIAD-89-161, May 31.

The XM900E1 tank round is designed to increase armor penetration and performance of the M1 and M60A3 tank guns. The M762 electronic time fuze was developed to fill the need for an accurate, reliable, mass-producible, and low cost electronic time fuze to use with current and development field artillery weapon systems. GAO found that (1) the Army's FY 1990 budget request for procurement funds for the XM900E1 is premature because testing revealed problems in accuracy (requiring design changes) and in armor penetration, (2) while the M762 electronic time fuze has been type classified, the Army plans further testing because the fuze had detonated early in cloudy weather conditions, and (3) the final unit price for the electronic time fuze has not been determined because contract negotiations are not complete.

**INF Treaty:
Army and Air Force
Personnel Reductions**

GAO/NSIAD-89-173FS, June 8.

When the Intermediate-Range Nuclear Forces Treaty became effective on June 1, 1988, a number of Department of Defense civilian and military personnel were affected. For the two affected units in Europe and the United States, 16,701 military and civilian positions were authorized. The Air Force's Ground Launched Cruise Missile units had 9,684 positions, and the Army's Pershing units with 7,017 positions. By October 1, 1989, DOD plans to reduce GLCM and Pershing units by 5,822 positions—4,159 GLCM positions and 1,633 Pershing positions. By the end of FY 1991, DOD estimates that all military and civilian positions formerly authorized for the GLCM functions will be eliminated and 885 Pershing positions will remain.

**Army Training:
Management Initiatives
Needed to Enhance
Reservists' Training**

GAO/NSIAD-89-140, June 30.

An essential element of the Nation's defense policy is the Army's ability to mobilize and deploy combat-ready reserve units. Active and reserve component soldiers are trained at Army schools and at their units. The schools provide soldiers with basic training and advanced individual training in some of the skills they will need in their job specialties. Training reservists is difficult. Reserve components have only a fraction of the time their active duty counterparts have to accomplish the multitude of training and administrative tasks required of all Army units. Reservists' training was hampered further for the following reasons: (1) some schools provided little instruction on equipment that soldiers were expected to operate in their units, (2) some units lacked the equipment to teach critical tasks, (3) some units did not focus sufficiently on training soldiers in tasks that support the units' mission, (4) units GAO visited seldom incorporated survival skills in training, and (5) scarce training time often was not used effectively. The Secretary of the Army should ensure that reservists are trained properly, and improve the management of available training time.

**ADP Procurement:
Navy Improperly
Restricted Competition for
Its Civilian Pay System**

GAO/IMTEC-89-61, June 21.

Several computer companies made allegations that the Navy improperly restricted competition in certain automated data processing procurements. GAO reviewed the decisions related to one of these procurements—the Navy Standard Civilian Pay System. These decisions resulted in the award of two contracts totaling almost \$30 million for the International Business Machines, Inc. computers and related equipment. The Navy in its haste to meet a December 1988 deadline set by the Assistant Secretary of the Navy (Financial Management) deviated from accepted systems development practices in making several key technical decisions. Specifically, the Navy selected a data base management system, hardware, and the 10 sites where the system would run without conducting appropriate studies and developing adequate support. Taken together, these decisions concerning Navy hardware procurements improperly restricted competition to specific IBM hardware and related equipment.

**Military Logistics:
Air Force's Management of
Backordered Aircraft
Items Needs Improvement**

GAO/NSIAD-89-82, June 2.

The Air Force has significant amounts of invalid backorders that are not being detected and canceled by periodic validation checks. The longer ordered material remains outstanding, the greater the chances are that it will no longer be needed because of changes in customer requirements. Requirements for aircraft parts are overstated because (1) available depot supply level assets are not used to offset requirements for aircraft items procured with stock funds, (2) depot maintenance backorders are included twice in requirement computations for aircraft items procured with appropriated funds, and (3) requirements for stock-funded aircraft items are sometimes based on erroneous backorder data. Prompt detection and cancellation of invalid backorders is essential to avoid unnecessary procurement, repair, and transportation costs.

**Air Force ADP:
Evaluations Needed to
Substantiate
Modernization Program
Benefits**

GAO/IMTEC-89-29, May 5.

The Air Force Logistics Command's Logistics Management System consists of nine separate acquisition projects designed to replace and modernize 94 computer systems that help the Command manage spare parts and keep weapon systems in a state of readiness. As of December 1988, the Command estimated that the LMS program would cost nearly \$1 billion and be completed in 1994. Total cost, including operation and maintenance over its expected 8-year useful life, will likely exceed \$2 billion. The Command cannot substantiate all of the claimed benefits it originally projected for the LMS program. When the program was initiated in 1984, the Command claimed the new systems would provide significant benefits in the form of readiness and logistics support improvements and over \$12 billion in cost savings. GAO's analysis of these evaluations showed that the Command could substantiate most of the mission improvements, but only about \$1.9 billion of the estimated cost savings it expected from the new systems.

**Contract Pricing:
Overpricing of Secure
Voice Communication
Systems**

GAO/NSIAD-89-124, June 7.

GAO reviewed the pricing contract awarded noncompetitively to Electrospace Systems, Inc., Richardson, Texas, for the supply, installation, and maintenance of secure voice communications systems. As of March 1989, the Air Force had ordered 51 voice communications systems for about \$100 million, including installation and maintenance. GAO found that Electrospace (1) did not disclose accurate, complete, and current

cost or pricing data supporting proposed material and labor costs, which caused the contract price to be overstated by about \$2.03 million; (2) could not provide supporting cost or pricing data for material costs valued at about \$4.96 million; and (3) overbilled the Air Force \$876,382 for cable assembly labor not included in the installation billing rate negotiation. GAO recommends that the Commander, U.S. Air Force Logistics Command, initiate action to recover the overstated prices and excess billings from Electrospace.

**Strategic Bombers:
Logistics Decisions Impede
B-1B Readiness and
Supportability**

GAO/NSIAD-89-129, May 19.

In April 1988 the Air Force accepted the 100th and final B-1B strategic bomber 2 months ahead of schedule. However, when the final B-1B was accepted, less than one-half of the aircraft were mission capable, and fewer than planned had been placed on alert. B-1B supply and maintenance problems were major contributors to this outcome. The Department of Defense and the Air Force emphasized production schedules and program cost during B-1B development. Tradeoffs were made that affected logistics support. Lack of adequate logistics support has contributed to significant numbers of grounded aircraft and has reduced mission capable time. This, in turn, had delayed crew training and plans for increasing the number of alert aircraft. The Air Force continues to face difficult challenges that could require billions of dollars to support full B-1B operations. A comprehensive assessment of B-1B logistics support status could help identify B-1B readiness and supportability and needed follow-up actions.

International Affairs

**Central America:
Humanitarian Assistance
to the Nicaraguan
Democratic Resistance**

GAO/NSIAD-89-152, June 1.

This report discusses the Agency for International Development's expenditure of \$17.7 million in humanitarian assistance to the Nicaraguan Democratic Resistance from April 1 through September 30, 1988. GAO found that (1) no lethal goods were provided under the assistance program, according to available evidence; (2) AID applied adequate controls to administer procurements, monitor the delivery of goods, and make cash payments; (3) legislative limits on fund expenditures resulted in over \$1.2 million in program funds not being obligated; (4) some

implementation problems caused occasional delays in deliveries and shortages of supplies for the Resistance; and (5) the use of program funds was inappropriate in a few instances, but AID corrected these problems when they were discovered.

International Trade:
Administration of Short
Supply in Steel Import
Restraint Agreements

GAO/NSIAD-89-166, June 5.

The President's Steel Program of 1984 was established to provide the domestic steel industry with temporary protection from steel imports. GAO was asked to review the Department of Commerce's process for evaluating short supply requests. Commerce uses an informal administrative process to make its decisions. GAO found no regulations or comprehensive guidance on the program's operation. Petitioners and some producers said that without regulations or comprehensive guidance, the process lacks transparency, i.e., openness and clarity. An examination of short supply petitions showed that decisions were not timely from 1985 through the last part of 1987. Commerce should (1) provide more process transparency by issuing comprehensive guidance or regulations on the program's requirements, policies, procedures; (2) establish and publicize in the guidance or regulations a standard deadline for processing short supply reviews and monitor timeliness through its tracking system on the full process from petition receipt to decision notification; and (3) ensure that official short supply review files contain complete and official documentation, including a full case history and decision on each petition.

United Nations:
U.S. Participation in the
Environment Program

GAO/NSIAD-89-142, June 21.

The United Nations Environment Program's purpose is to act as a catalyst, coordinating and promoting participation of all countries and international organizations in national and international efforts to (1) preserve and enhance the environment and natural resource base and (2) help all countries to deal with environmental problems. The United States has a strong influence within the Program because of its high-level on contributions and leadership role in environmental issues. The Program appears to have adequate controls over its budget execution, financial and fund program reserves, and trust funds. Its financial rules and regulations, including its system of internal controls, biennial auditing by the U.N. Board of Auditors, and oversight by its Governing Council on which the United States is a represented, provides a reasonable framework for financial management and accountability.

Science, Space, and Technology

Technology Transfer: Implementation Status of the Federal Technology Transfer Act of 1986

GAO/RCED-89-154, May 30.

Technology transfer is the movement of federally owned or originated technology from one organization, area, or purpose to another. The Federal Technology Transfer Act promotes technology transfer from federal laboratories primarily by (1) permitting federal agencies to delegate authority to government-operated laboratories to enter into cooperative research and development agreements with entities in both the public and private sector and (2) providing federal employees incentives to promote technology transfer. Federal agencies have taken numerous actions to implement the act. Ten of the agencies contacted had delegated authority to their laboratories to enter into cooperative research and development agreements. As of February 1989, the agencies contacted had entered into a total of 172 agreements. As required by the act, each of the agencies had distributed or planned to distribute to federal inventors at least 15 percent of royalties collected; and one agency had established a new cash awards program focused solely on technology transfer.

Standards and Technology: Impact of Fee Increases on Measurement Services

GAO/RCED-89-135, June 22.

GAO was requested to analyze the potential impact of proposed fee increases on sales of calibration services and standard reference materials provided by the National Institute of Standards and Technology. Because data were not readily available to measure the impact of various factors that affect demand, GAO could not determine how much impact, if any, price changes alone had on the demand for NIST calibration services and standard reference materials between FYs 1979 and 1988.

Space Shuttle: Follow-Up Evaluation of NASA's Solid Rocket Motor Procurement

GAO/NSIAD-89-89, May 23.

The National Aeronautics and Space Administration's Acquisition Plan for the advanced solid rocket motor provides for full and open competition in the initial contract award and protects NASA's option to compete

future contracts for advanced motor production. Until the advanced motor is available in sufficient quantities to support all flights, NASA will have to continue procuring redesigned motors on a sole-source basis from Morton Thiokol, Incorporated.

Energy

Nuclear Regulation: NRC's Restart Actions Appear Reasonable—But Criteria Needed

GAO/RCED-89-95, May 4.

As of November 1988, seven nuclear plants were shut down to correct safety and/or management problems. However, the Nuclear Regulatory Commission does not have criteria that specify the actions that must be taken before a plant can restart operations. In November 1988, NRC's Executive Director for Operations issued staff guidelines, but the guidelines do not go far enough. The guidelines do not discuss public participation, independent review, or utility actions prior to restarting a plant. NRC needs to establish criteria to ensure that a consistent process is used to assess the readiness of any plant that has been shut down for management and/or safety problems. The criteria should describe both NRC and utility actions that must be taken before allowing a plant to restart operations. The criteria should be flexible enough to allow NRC to add requirements on a plant-by-plant basis giving consideration to overall design, personnel, and management.

Federal Research: Final Site Selection Process for DOE's Super Collider

GAO/RCED-89-129BR, June 16.

Concern was raised about the Department of Energy's site selection process for the superconducting super collider, a \$4.4 billion high-energy physics facility. In January 1989 the Secretary of Energy selected Texas as the site from among seven best qualified states. In summary, GAO found (1) the task force relied on information provided by the states and verified data primarily through its site visits to the seven best qualified sites and the environmental impact statement process; (2) there is no reason to question the decision to site the super collider in Texas, in evaluating and rating the sites the task force used DOE's technical and cost criteria and provided evidence to support its rating; and (3) DOE and its contractors assessed the three concerns identified by Texas residents as part of the site evaluation and environmental impact statement process and determined that these concerns were not serious problems.

**Energy Security:
Analysis of Studies on
Economic Consequences of
an Oil Import Tariff**

GAO/RCED-89-70BR, June 16.

GAO was asked to analyze why recent studies, done by the Department of Energy and Harvard University's Energy and Environmental Policy Center, reached apparently different conclusions about the economic consequences of a tariff on imported oil. These studies used largely the same cost-benefit approach and data but arrive at different conclusions as to the net economic impact of an oil import tariff. While DOE found that a \$10-per-barrel tariff results in a net cost to the economy, the Policy Center, under the same scenario, indicates a net benefit to the economy. The DOE and Policy Center studies reached different conclusions principally because their estimates of macroeconomic costs—the impact of the tariff on the Gross National Product—were based on different assumptions. These assumptions concerned whether governmental actions, such as increasing the money supply or reducing other taxes, would occur and would modify the recessionary effect of an oil tariff.

**Fossil Fuels:
Status of DOE-Funded
Clean Coal Technology
Projects as of March 19,
1989**

GAO/RCED-89-166FS, June 29.

This fact sheet provides a detailed discussion on the status of nine demonstration projects that the Department of Energy has funded under the Clean Coal Technology program. Seven of the nine funded clean coal technology projects were not progressing as planned. DOE does not yet know the effect these delays will have on estimated project completion dates and its share of total project costs. Specifically, the seven projects were experiencing coordination, equipment, and financing problems that caused delays in completing project phases, cost overruns, and proposed project modifications.

**Natural Resources and
Environment**

**Surface Mining:
Information of Legal Fees
Under the Surface Mining
Act**

GAO/RCED-89-140FS, May 9.

GAO was asked to conduct a study of attorney and expert witness fees awarded as a result of litigation brought under the Surface Mining Control and Reclamation Act. As of March 24, 1989, a total of about \$1.4 million had been awarded in attorney fees and expenses—about \$1.3

million under SMCRA and about \$124,000 under the Equal Access to Justice Act. GAO did not find any awards for expert witness fees. These payments resulted from 12 lawsuits brought against the Secretary of the Interior, other Interior officials, a state regulatory authority, and a coal miner operator.

**Water Resources:
Corps of Engineers'
Drought Management of
Savannah River Projects**

GAO/RCED-89-169, June 12.

Three droughts have occurred in the Savannah River Basin during the decade. The current drought is the most severe as measured by rainfall deficit and reduced inflows from groundwater and streams into the Savannah River. The district managed the deteriorating rainfall conditions in the three reservoirs by gradually decreasing releases from Hartwell, Russell, and Thurmond in order to prolong its ability to meet downstream needs for water supply and water quality—the two purposes of highest priority to the district during the drought. Because the Corps of Engineers placed low priority on drought contingency plans, the district had not completed its required plan when the current drought began and did not have the benefit of a well-defined and planned course of action. In January 1987, the district began emphasizing the development of a drought contingency plan, and it was completed on March 31, 1989. GAO reviewed the district's plan for managing reservoirs under drought conditions. The plan (1) was not based on data clearly showing a relationship between the needs of downstream users and the release rate purported to meet those needs, (2) did not adjust Thurmond's release rate to take into account downstream inflows for water supply needs, and (3) did not address what actions the district should take when the lake levels become insufficient to meet downstream water supply or water quality needs.

**TVA Management:
Information of
Compensation for Top
Managers**

GAO/RCED-89-137BR, May 17.

This report provides information on the Tennessee Valley Authority's Merit Incentive Supplemental Retirement Income Plan (supplemental plan) and the levels and types of compensation provided by TVA to its top managers. Overall, the supplemental plan is a deferred compensation plan that TVA uses to provide additional compensation to recruit and retain top managers and to reward outstanding managerial performance. Available only to managers in TVA positions M-8 and above, this plan supplements benefits provided employees covered under the TVA Retirement System and other retirement plans. While the plan is not

subject to the provisions of the Employee Retirement Income Security Act, a comparison of its features with provisions of ERISA showed that the plan differed from ERISA provisions in areas such as eligibility, funding, and contribution limits.

Nonhazardous Waste: State Management of Municipal Landfills and Landfill Expansions

GAO/RCED-89-165BR, June 29.

Concern was expressed about municipal landfills seeking state permits to expand. GAO conducted a telephone survey of solid waste and/or hazardous waste officials in each of the 50 states. An analysis of the data showed the following. Of the 1,177 sites included in the June 1988 update of the National Priorities List, 249, or 21 percent, are municipal landfills. Of these 249 landfills, 14 have sought approval to expand in the last 2 years. In addition to the 249 NPL landfills, 116 not on the NPL have been identified as requiring cleanup under state hazardous waste program in 8 states. Within the last 2 years, 12 of these 116 have sought permits to expand. As part of the permitting process for municipal landfill expansions, 46 states provide for public participation to consider citizens' views while 4 states do not, and 43 states consider the owner/operators' past operating records while 7 states do not.

Agriculture

Crop Production: Outlook for Post-Drought Recovery During 1989

GAO/RCED-89-161BR, June 6.

The 1988 drought was among the worst in the country in this century and left several regions of the Nation with below-normal soil moisture going into the fall and winter. In October 1988, U.S. Department of Agriculture officials anticipated that an average level of precipitation would occur in 1989 and that, as a result, normal crops nationwide would be produced. However, USDA estimated in May 1989 that U.S. wheat production for 1989 would total 2.05 billion bushels, which is some 500 million bushels lower than expected in December 1988. In summary, it is difficult to predict potential wheat, corn, and soybean production, because the timing and level of future precipitation are unknown. If inadequate soil moisture and precipitation cause below-normal crop production, it is likely that crop supplies would tighten, prices would rise, and use would decrease.

Commerce and Housing Credit

Farmers Home Administration: Status of Participation in the Interest Rate Reduction Program

GAO/RCED-89-126BR, June 15.

The interest rate reduction program, administered by the Farmers Home Administration, helps private lenders provide credit to family farmers who are temporarily unable to project a positive cash flow on all income and expenses without a reduced interest rate. In guaranteeing loans, FmHA agrees to reimburse the lending institution for up to 90 percent of lost principal and interest if the borrower defaults on the loan. Through the end of FY 1988, FmHA had obligated about 10 percent of the \$490 million authorized for the IRR program. According to FmHA and private lender officials, program participation has not been greater for a variety of reasons, such as the high risk of financial failure of borrowers unable to project a positive cash flow without the IRR loan and the volume of paperwork required to process the loans.

Farmers Home Administration: Implementation Issues Concerning Four Sections of the Food Security Act

GAO/RCED-89-71, June 19.

The Food Security Act of 1985, as amended by the Agricultural Credit Act of 1987, included two provisions—homestead protection and lease/buy-back—designed to assist qualified Farmers Home Administration borrowers who lost their farms through foreclosure, voluntary conveyance, or bankruptcy proceedings, and two provisions—conservation easement and softwood timber—designed to assist FmHA borrowers who are at risk of losing their farms because of delinquent loans. On the basis of the data, GAO found that the four provisions have not been used extensively by distressed FmHA farm program borrowers. The homestead protection and lease/buy-back provisions have been used by several hundred former FmHA borrowers. An interim rule to implement various provisions of the Agricultural Credit Act of 1987, including conservation easement, was published on September 14, 1988, and only five borrowers—with 14 loans nationwide—have been approved for the softwood timber provision.

**Thrift Failures:
Costly Failures Resulted
From Regulatory
Violations and Unsafe
Practices**

GAO/AFMD-89-62, June 16.

The thrift industry faces a crisis, and its insurer, the Federal Savings and Loan Insurance Corporation, is insolvent. Between January 1, 1985, and September 30, 1987, FSLIC merged, liquidated, began assisting, or anticipated assisting 284 thrifts. GAO reviewed a judgmental sample of 26 of these thrifts which represented over 50 percent of FSLIC's estimated losses at that time. Examination reports and related Bank Board data showed that regulators noted numerous and sometimes blatant violations of laws and regulations at the 26 failed thrifts in GAO's sample. Indications of fraud or insider abuse existed at all these failed thrifts. The condition of some thrifts which eventually failed, weakened by their improper and/or unsafe practices coupled with higher-risk investments, was exacerbated by the adverse effects of the regional or local economy. GAO is recommending that Congress pass legislation which would (1) provide certain regulatory and examination responsibilities to the insurer and (2) require, as a condition for deposit insurance, thrift management to provide the federal regulator with management and auditor reports on internal controls and on compliance with laws and regulations.

**Failed Thrifts:
Allegations at FirstSouth
Receivership in Little
Rock, Arkansas**

GAO/GGD-89-98, June 16.

GAO made an assessment of four allegations of wrongdoing concerning the Federal Savings and Loan Insurance Corporation's FirstSouth Receivership in Little Rock, Arkansas. These allegations are that: a former receivership employee improperly contracted with the receivership, an auction of receivership properties was restricted to employees only, the receivership gave an unsecured loan to a borrower who was in default on existing loans, and the receivership contracted with a borrower who had defaulted on existing loans. On the first two allegations, the Managing Officer in charge of FirstSouth Receivership and a former employee did sign a contract that included work the former employee was responsible for while he was employed at the receivership. In addition, the receivership did hold a property auction that was limited to receivership employees. The contract and the auction were both improper, and federal criminal statutes may have been violated. For the third allegation, the loan that was alleged to have been unsecured was secured by an escrow account; however, time did not permit GAO to fully evaluate all the circumstances surrounding the loan transaction. As to the fourth allegation, the receivership did do business with a debtor in

default on loans, but GAO found no laws, regulations, or Federal Home Loan Bank Board policies that were violated.

**Small Business:
Profiles of Venture Capital
Financing, 1983 Through
1987**

GAO/RCED-89-68BR, May 19.

The Small Business Investment Act created the Small Business Investment Companies program to help small businesses obtain equity capital, management assistance, and long-term financing. The act also established the Minority Enterprise Small Business Investment Companies, which targets similar assistance to small business concerns owned by socially or economically disadvantaged persons. In return for pledging to finance only small businesses, SBICS and MESBICS qualify for long-term, government-assisted loans to augment their own financial resources. In summary, small business venture capital financing have been concentrated in relatively few states under both programs. SBIC financing have been fairly evenly distributed between transactions secured and those not secured by an equity interest in the recipient firm. MESBIC financing typically have been secured by debt instruments rather than equity interests.

Social Services

**Foster Care:
Preliminary Report on
Reform Effects**

GAO/PEMD-89-23BR, June 1.

During the 1970s, widespread abuses of the foster care system were reported. In light of these reports, the Adoption Assistance and Child Welfare Act of 1980 amended several child welfare programs under the Social Security Act. In particular the act made funds for the federal Foster Care program and large funding increases for the Child Welfare Services grant contingent on the states' implementation of certain procedural protection for children in foster care. This briefing report presents, primarily in tabular form, the preliminary results of GAO's review.

**Job Training Partnership Act:
Services and Outcomes for
Participants With
Differing Needs**

GAO/HRD-89-52, June 9.

Since its passage in 1983, the Job Training Partnership Act has provided nearly \$10 billion to state and local agencies to provide job training to unskilled and economically disadvantaged individuals who need training to obtain employment. JTPA has been more successful than earlier programs in placing participants in jobs. However, many in the employment and training community have been concerned that local program operators have selected applicants who were more likely to succeed, while avoiding hard-to-serve individuals requiring more training. GAO surveyed a cross-section of 63 service delivery areas and reviewed records for a sample of participants. GAO found little evidence that JTPA is serving disproportionately either the less job ready or the more job ready. However, within each group, the program tends to underserve high school dropouts.

**Children and Youths:
About 68,000 Homeless
and 186,000 in Shared
Housing at Any Given
Time**

GAO/PEMD-89-14, June 15.

On a given night, about 68,000 children and youths of age 16 or younger may be members of families that are literally homeless. Of these children and youths, about 25,500 are likely to be in urban shelters and hotels; about 21,800 are likely to be in suburban and rural areas; about 4,000 are housed by churches; about 9,000 may be sleeping in abandoned buildings, cars, or public places; and about 7,700 may be in various other settings. In addition to those who are literally homeless, nearly 186,000 children and youths may be precariously housed, spending the night in doubled-up circumstances.

**Occupational Safety and Health:
OSHA Contracting for
Federal Rulemaking
Activities**

GAO/HRD-89-102BR, June 16.

The Occupational Safety and Health Administration reported obligations of \$11.3 million during FYs 1986 through 1988 for a wide variety of contractor products and services related to various stages of rulemaking, primarily for health standards. Most of these funds (\$9.5 million) were obligated for regulatory analyses required by law. The largest obligation during this 3-year period was \$4.0 million for the Final Rule for Air Contaminants. OSHA also obligated funds for contractor studies and expert witnesses in connection with at least 20 other health standards and 15 other safety standards.

Public Housing:
Chicago Housing
Authority Taking Steps to
Address Long-Standing
Problems

GAO/RCED-89-100, June 8.

The Chicago Housing Authority has been repeatedly criticized over the past 10 years for problems ranging from deteriorating buildings to fear for personal safety. Deteriorating buildings, damaged heating and water systems, broken elevators, and roach and rodent infestation are commonplace at many projects. GAO's analysis of 48 reports issued since 1979 identified 798 instances of problems in 8 major management areas, including finance and accounting, purchasing and inventory control, and maintenance. The lack of internal controls contributed to the authority's continuous problems. The authority has habitually been unable to keep expenditures within the Housing and Urban Development Department's approved budget amounts. Although initial progress was made under a 1987 agreement that HUD and the authority signed to avoid HUD's threat to take over the authority, various factors have prevented its full implementation. In May 1988 the authority proposed and later implemented a "crisis management" approach to address its problems that shows much promise. However, conditions for success are fragile; and continued cooperation between HUD, the authority, and the city of Chicago is essential.

Public Housing:
HUD Oversight of the
Annapolis Housing
Authority

GAO/RCED-89-145, June 5.

Concern was raised over the adequacy of the Department of Housing and Urban Development's oversight of the Housing Authority of the City of Annapolis, in Maryland. HUD's Baltimore, Maryland, field office generally followed its established procedures in overseeing the Annapolis housing authority's operations. The Baltimore office conducted required semiannual reviews of the modernization program and identified problems with contracting practices, which led it in July 1984, May 1985, and again in January 1986 to request an investigation by HUD's Office of Inspector General. This investigation was partially responsible for the indictment and subsequent conviction of the authority's former executive director on charges of fraud, bribery, and racketeering.

"Sweatshops" in New
York City:
A Local Example of a
Nationwide Problem

GAO/HRD-89-101BR, June 8.

Sweatshops are not defined in federal law, but for the purposes of this GAO report, a sweatshop is defined as a business that regularly violates both wage and child labor and safety or health laws. The opinions of federal, state, and local officials and GAO's analysis of inspection data

indicate that sweatshops are a widespread problem in New York City's apparel industry and may be a problem in the restaurant industry as well. The officials said that sweatshops in the apparel industry are a serious problem that has not improved or has become worse over the last decade. In comparison, opinions were mixed regarding whether sweatshops were a problem in the restaurant industry. Several officials thought they were a serious problem, while others believe that restaurants frequently violate wage or safety and health standards, but officials were uncertain as to how often these violations occurred in combination. In the apparel industry, 41 firms had been cited for violation of both state labor laws and city fire ordinances. In the restaurant industry, GAO found 55 restaurants that violated both federal wage laws and city health or fire codes.

Health

Public Health: Centers for Disease Control Staffing for AIDS and Other Programs

GAO/HRD-89-65, Apr. 27.

The Centers for Disease Control is one of the federal Public Health Service agencies responsible for combating acquired immunodeficiency syndrome. CDC leads AIDS education and surveillance programs to track and reduce the spread of the human immunodeficiency virus and also conducts epidemiological research on how HIV is transmitted. CDC began its AIDS effort in 1981 by reallocating four staff-years from other programs to work on the emerging health problem. By FY 1988, CDC had allocated over 400 staff-years to its AIDS activities. CDC's total AIDS budget also increased significantly, from about \$200,000 in FY 1981 to about \$305 million in FY 1988. CDC officials report that allocating staff to AIDS programs has had less effect on meeting existing programs' missions than on the agency's ability to start and expand programs.

Pediatric AIDS: Health and Social Service Needs of Infants and Children

GAO/HRD-89-96, May 5.

Acquired immunodeficiency syndrome is rapidly becoming a major health threat to children. It is now the ninth leading cause of death among children 1 to 4 years old; within the next 3 to 4 years it could be among the top five leading causes of childhood death. Most human immunodeficiency virus infected children are from low-income and disadvantaged families who have limited access to adequate health care

services. As a result, these children and their families rely on public health and social services systems. In some communities, these systems are already overburdened. Consequently, these children are at risk of long and costly hospital stays that tend to reduce the overall quality of life compared to a home environment. In communities that were reviewed, foster care, home health care, and support services have been developed or expanded to help reduce the time HIV-infected children spend in the hospital and the resultant health care costs. All communities reported however, inadequate current capacity to meet the demand for certain services, such as day care, group homes that provide immediate level care, respite care, mental health counseling, and transportation. Some federal support is available to fund these services.

AIDS Forecasting: Undercount of Cases and Lack of Key Data Weaken Existing Estimates

GAO/PEMD-89-13, June 1.

Less than a decade ago, acquired immune deficiency syndrome was virtually unknown in this country; as of year end 1988, over 80,000 cases had been reported via the national surveillance system. According to the Centers for Disease Control, this total is expected to triple by year end 1991. GAO identified 13 national forecasts of the cumulative number of AIDS cases through the end of 1991. These forecasts understate the extent of the epidemic, primarily because of biases in the underlying data. Definitional problems and the lack of key studies contributed to an underrepresentation of the epidemic in the national AIDS surveillance data and in most forecasts. Taking account of whether the existing forecasts had been adjusted to compensate for data biases, GAO estimates that a realistic range of forecasts would be 300,000 to 480,000 cumulative cases. This compares with a range of most likely estimates from the 13 models of 120,000 to 400,000 cases through the end of 1991. The Director of the CDC should (1) conduct rigorous national studies of the net effect of biases in the national AIDS surveillance data in order to improve national estimates of the current and projected size of the epidemic; (2) assess whether CDC's Surveillance Branch for tracking cases of AIDS and human immunodeficiency related diseases had sufficient resources to plan, fund, monitor, review, and disseminate such studies; and (3) incorporate additional information on risk group membership into the CDC public use data.

**Prescription Drugs:
Information on Selected
Drug Utilization Review
Systems**

GAO/PEMD-89-18, May 25.

GAO was asked to provide information on the extent to which drug utilization review systems can identify adverse reactions that may result from the (1) interaction of the prescribed drug with one or several other drugs, (2) interaction of the prescribed drug with a known allergy, (3) interaction of the prescribed drug with a known physical condition or illness, (4) interaction of a prescribed drug with over-the-counter drugs, (5) incorrect dosages, and (6) under- and overutilization of the prescribed drug. The systems reviewed were those at Giant Pharmacies, Long Pharmacies, Thrift Pharmacies, Walgreen Pharmacies, National Data Corporation, Clinical Screening Program, Home Shopping Network, and the Tri-Service Mirco Pharmacy System of the Department of Defense. In summary, all the attributes of a DUR system and the patient profile information requested are currently available in at least some operating DUR systems. The issues of data security were dealt with, to some degree, by all systems.

**ADP Planning:
FDA's Plans to Improve
Processing of Medical
Device and Drug
Applications**

GAO/IMTEC-89-58, June 13.

As part of its mission, the Food and Drug Administration is responsible for assuring consumers that medical devices and drugs are safe and effective for their intended uses. Responsibility for reviewing and approving medical device and drug applications is divided between two centers within FDA. The Center for Devices and Radiological Health, which reviews medical device applications, has prepared an automated data processing system to improve quality and timeliness of its application reviews. The Center estimates that carrying out its plan will cost \$3 million through FY 1993. The Center for Drug Evaluation and Research, which reviews drug applications, has not prepared a plan. The Center is, however, participating in several activities aimed at improving its drug-review process, and Center officials say that they are now in the process of developing a plan.

**Health Care:
Home Care Experiences of
Families With Chronically
Ill Children**

GAO/HRD-89-73, June 20.

From 10 to 15 percent of all U.S. children have a chronic health condition, health researchers estimate, and about 1 million of these have a severe form of the condition. In general terms, a chronic illness is a condition that lasts for a substantial period of time and has continuing and often debilitating effects. While some changes in service delivery and

financing have supported the home care concept, families still reported difficulties in obtaining needed services. Parents say three factors commonly accounted for their difficulties. Lacking were financing because of health insurance coverage limitations, information on services available, and a focal point to contact when help was needed with home care. Among possible improvements are (1) consolidating information on existing services and making it available to all organizations serving chronically ill children, (2) providing this information to parents during the hospital discharge planning process, and (3) referring parents who need help in the home care setting to organizations providing case management services.

**Infectious Waste:
Federal Health Care
Facilities' Handling and
Disposal Practices**

GAO/HRD-89-84, May 19.

Concern was expressed about the management of infectious waste by public and private health care facilities. The Environmental Protection Agency defined infectious waste as "waste capable of producing an infectious disease." The 12 facilities visited had established policies and procedures for handling, treating, and disposing of the medical waste federal and state agencies required or recommended be classified as infectious. Although the facilities' procedures varied widely, they were generally consistent with these requirements and guidelines. Major differences involved (1) how facilities defined what medical waste should be considered infectious and segregated from other medical waste, (2) how infectious wastes were stored and treated before disposal, and (3) how much training employees received. Because the 12 facilities visited had policies and procedures generally consistent with EPA recommendations and these procedures provided for EPA acceptable treatment methods before disposal, GAO believes the facilities' procedures, if properly implemented, should result in infectious waste management practices that pose no public health or environmental risks.

Income Security

**Employee Stock
Ownership Plans:
Allocation of Assets in
Selected Plans**

GAO/HRD-89-91, June 5.

Employee Stock Ownership Plans are recognized under the Employee Retirement Income Security Act as a type of defined contribution plan. Unlike other types of defined contribution plans, ESOPs have multiple

purposes. In addition to providing retirement or deferred income to participants, ESOP objectives include (1) improving productivity by giving workers an owner's stake in the success of the company, (2) broadening stock ownership and transferring company ownership to employees, and (3) providing a way to finance company operations or buy out existing owners. GAO reviewed nine ESOPs established in 1985. The data obtained on the nine plans showed that ESOP ownership of company stock ranged from 2.2 to 100 percent; five plans owned less than 15 percent and four owned over 50 percent. Individual participant account balances ranged from \$467 to \$38,311. All nine plans allocated assets based on participant salaries. In three plans, the participants with the highest percentage of ESOP assets were company officers who also held company stock that was not in the ESOP.

**Unemployment Insurance:
Opportunities to
Strengthen the Tax
Collection Process**

GAO/HRD-89-5, June 8.

The Unemployment Insurance system provides unemployed workers temporary income financed by employer taxes. The program is administered jointly by the Department of Labor and state government agencies. Because state UI tax collections have suffered recently from significant increases in delinquencies and bad debt write-offs, GAO evaluated the oversight and guidance Labor provides the states for establishing effective tax collection systems. To improve state collection functions, GAO recommends procedures to reasonably assure that (1) employers required to pay UI taxes are identified, (2) collection from employers is timely, (3) collection accurately represents employers' obligations, and (4) program administrative funds for the state collection function are used effectively .

**Employee Benefits:
Companies' Retiree Health
Liabilities Large, Advance
Funding Costly**

GAO/HRD-89-51, June 14.

Companies have been financing retiree health care for years. Although seen as a low-cost employee benefit decades ago, such care now has become a major concern for employers because of both demographic and economic trends. Retiree health costs have skyrocketed, in part because there are more retirees than ever before—workers retire earlier and live longer. The growing cost has raised questions about the security of retiree health benefits and companies' ability to pay future costs. In contrast to pension plans, where monies are set aside to pay future benefits, companies generally handle costs for retiree health benefits on a pay-as-you-go basis out of current revenue. By and large, companies do not

prefund retiree health care costs. Congress may wish to protect retirees' health care coverage by requiring employers to advance-fund such benefits or provide coverage that retirees can buy at group rates.

**Software Maintenance:
SSA's Use of Its Software
Maintenance Package**

GAO/IMTEC-89-38, June 15.

One important measure of a computer program's quality is how well it is structured. A well-structured program is clearly organized; its logic is apparent and easily understood by a programmer. In contrast, a poorly structured program is not well organized; its logic is complex, making it difficult to understand, and increasing maintenance time and cost. Between June 1987 and September 1988, the Social Security Administration periodically evaluated the quality of the batch programs supporting its retirement system using a software measurement package. GAO analyzed the package's evaluation of these programs and found that 1,992 of the 2,441 retirement system programs evaluated appeared to be poorly structured. SSA had not taken full advantage of the benefits of the software measurement package because it has not developed a complete inventory of its programs, ensured that programs are consistently named, or issued specific written guidance to managers on using the package.

**ADP Budget:
SSA's Fiscal Year 1990
Information Technology
Systems Budget Request**

GAO/IMTEC-89-60, June 28.

The Social Security Administration's FY 1990 information systems budget request for \$204 million provides \$160.5 million to fund ongoing data processing and telephone operations and maintenance. And includes \$43.5 million to fund capital investment projects directed at enhancing the capabilities of its information systems, such as acquiring additional automated data processing and telephone equipment, new software development, and related contractor services.

**Social Security:
Staff Reductions and
Service Quality**

GAO/HRD-89-106BR, June 16.

Morale at the Social Security Administration has been identified as a problem in various surveys since 1986. SSA employees and managers attribute the low morale primarily to the staff reductions, which have been underway since FY 1985. In a 1988 GAO survey, SSA field office managers and employees ranked the quality of SSA's service in processing post-entitlement workloads lower than most other services provided

by SSA. The agency has asserted that its service quality has remained high in its service quality reports submitted to Congress over the last several years. Its most recent report submitted in March 1989, generally indicates stable performance in the agency, with a major exception being the backlogs and processing time for hearings before administrative law judges, which have remained relatively high over the last 2 years.

**Medicare:
Status Report on Medicare
Insured Group
Demonstration Projects**

GAO/HRD-89-64, June 27.

The Secretary of Health and Human Services is authorized to conduct demonstrations of contracting on a prepaid capitation basis with Medicare Insured Groups to provide Medicare benefits to retirees. MIGs must agree to provide the full range of Medicare-covered services to its Medicare-eligible retirees for a per capita rate of payment. The MIG's loss or surplus for servicing these retirees would depend on whether its costs to provide the Medicare services are more or less than the capitation payment. HHS' Health Care Financing Administration has entered into cooperative agreements with Chrysler Motors Corporation, Southern California Edison Company, and Amalgamated Life Insurance Company to establish the three MIG projects authorized by the Omnibus Budget Reconciliation Act of 1987. In April 1989, GAO was advised by HCFA officials that it was not certain when any of these projects would become operational.

Transportation

**Air Traffic Control:
Voice Communications
System Continues to
Encounter Difficulties**

GAO/IMTEC-89-39, June 1.

The Federal Aviation Administration's Voice Switching and Control System is a major system development intended to improve communications at air traffic control facilities. VSCS has encountered continued cost, schedule, and technical difficulties primarily because both FAA and the prototype development contractors underestimated the amount of work needed to meet system requirements. Total project cost estimates through system implementation have more than tripled, from \$258 million in 1982 to over \$786 million. The program has also encountered schedule slippages of up to 6 years since the 1982 schedule estimate. In

addition, both prototype contractors have continuing difficulties designing hardware and software capable of meeting system performance requirements.

**Aircraft Noise:
Status and Management of
FAA's West Coast Plan**

GAO/RCED-89-84, May 8.

In 1985, the Federal Aviation Administration identified the West Coast states as an area in which air traffic management needed improvements. Two major, interrelated problems were (1) costly delays caused by air traffic congestion and (2) greatly increased growth in air route traffic, which created congestion. West Coast Plan projects involve installing new navigational aids, enhancing the efficiency of FAA-controlled airspace in the vicinity of airports in the Los Angeles basin, establishing new high-altitude air routes in the western United States, and increasing arrival capacity at San Francisco airport. FAA estimates the total West Coast Plan cost to be about \$143 million. Project implementation has been staggered: three projects are complete, others are now being implemented; and implementation of others—in particular, the facility consolidation in Los Angeles—will not be complete until 1994.

**Aviation Safety:
Comparison of Specific
Responses in FAA
Controller Questionnaire**

GAO/RCED-89-162FS, May 24.

This fact sheet supplements the work contained in earlier GAO reports concerning conditions within the air traffic control work force. The information shows for certain questions in GAO's survey how air traffic controllers who responded to one question answered a second question. One section shows how controllers who responded to the question about how much traffic they handled during typical daily peak periods answered two other survey questions. The second section shows how controllers who answered a question that rated system safety responded to seven survey questions.

**Customs Service:
Administration of Tariff
on Foreign Repairs to
United States Flag Vessels**

GAO/RCED-89-152, May 26.

To protect the U.S. shipyard repair capability for national defense purposes, Customs is authorized to levy a 50-percent tariff on the cost of repairs made to U.S.-flag vessels in foreign shipyards. U.S. Customs Service reports show that collections have generally increased from about \$700,000 in FY 1969 to \$14.6 million in FY 1988. Customs believes that the effects of (1) legislative exemptions of specific categories of repair

work, (2) court rulings narrowing the definition of "repair," and (3) the logical extensions of the legislative exemptions and court rulings by Customs have reduced the applicability of the vessel repair tariff.

Hazardous Materials: Federal Training for First Responders to Highway and Railroad Incidents

GAO/RCED-89-146FS, May 26.

"First responders" are state and local government personnel who are the first on the scene of a highway or railroad accident involving hazardous materials. Five federal agencies engage in first-responder training: the Federal Emergency Management Agency; the Environmental Protection Agency; and the Departments of Transportation, Energy, and Health and Human Services. In FYs 1987 and 1988, these agencies spent an estimated \$10 million on first-responder training. Their training activities were diverse, including classroom courses, simulation exercises, and the development and nationwide dissemination of videotapes on how to respond to transportation incidents involving hazardous materials.

Housing and Community Development

Community Development: Distribution of Small Cities Funds by Pennsylvania

GAO/RCED-89-111, May 3.

Under the Community Development Block Grant, Small Cities Program, funds are allocated to the states on a formula basis for the development of viable communities by providing decent housing and a suitable living environment, and expanding economic opportunities for low- and moderate-income persons. GAO was asked to review the methodology Pennsylvania used to distribute its funds. Some of GAO's findings showed that the state's methodology for estimating the percentage of low- and moderate-income persons is not consistent with the Housing and Community Development Act of 1974. The result is that the number of communities that are predominately of low and moderate income is higher than if HUD's estimates were used. HUD's methodology includes single persons over 62 years of age in its estimate. And HUD used census data that include college and university students living in group quarters. HUD believes that the methodology the state used overestimates the low- and

moderate-income population in certain area and has required the state to use HUD's estimates or some other appropriate alternative to distribute Small Cities funds.

Administration of Justice

Drug Smuggling: Capabilities for Interdicting Private Aircraft Are Limited and Costly

GAO/GGD-89-93, June 9.

Federal efforts to control airborne drug smuggling have increased dramatically during the 1980s. These efforts, known as air interdiction programs, are aimed at smugglers using private aircraft to transport illegal drugs from foreign countries into the United States. Federal spending on air interdiction programs increased from about \$18 million in 1982, to an estimated \$200 million in FY 1989. Air interdiction programs have resulted in the seizure of substantial amounts of drugs. However, these seizures and those from other interdiction programs are small compared to those amounts successfully smuggled into the United States. Gaps exist in the radar coverage that the present air interdiction detection network provides. In addition, all radar detection systems have inherent technical constraints that limit their ability to detect the small aircraft typically used to smuggle drugs. Decisions about providing funds for additional air interdiction efforts should not be made without considering whether these funds could be put to more effective use on some other aspects of the Nation's war on drugs. GAO is not convinced that spending more on air interdiction is the best use for additional funds.

Drug Interdiction: Customs Service's Procurement of the P-3B Airborne Early Warning Aircraft

GAO/NSIAD-89-129, June 6.

GAO was asked to review the U.S. Customs Service procurement of the P-3B Airborne Early Warning aircraft. Customs uses the aircraft to detect drug smuggling in the Caribbean Basin and the Gulf of Mexico. Customs' procurement met its objective and cost and schedule targets. In May 1987, Customs awarded a \$19.7 million firm, fixed-price contract to Lockheed for the first P-3B aircraft. Lockheed modified the aircraft with a government-furnished ASP-125 radar system, and it delivered the aircraft in June 1988, 5 months ahead of schedule at the agreed upon contract price. GAO found that the quarterly status reports on the

P-3B AEW program submitted to the Committees on Appropriations were generally accurate and complete. The P-3B AEW test program included developmental and operational tests. Test results showed that the radar system worked as planned and satisfactorily met major test objectives.

**Federal Drug-Related
Efforts:
Budget Information by
Strategy**

GAO/GGD-89-96, June 16.

This fact sheet contains information on federal agencies' budget authority and outlays by strategy regarding drug law enforcement, abuse, and treatment. The budgetary information was obtained from the Office of Management and Budget for FYs 1981 to 1989.

**The Judiciary:
Problems in Finding Office
Space for Circuit Judge
Danny J. Boggs**

GAO/GGD-89-64, May 23.

Judge Danny J. Boggs was a legal resident of Kentucky when appointed to the Sixth Circuit in March 1986, but continued to live in Arlington, Virginia, and have chambers in Washington, D.C., for 28 months after his appointment. He planned to relocate to the Sixth Circuit after his appointment, but a series of events involving the renovation of the courthouse in Louisville, Kentucky, and a freeze by the General Services Administration on obtaining additional leased space, prevented his relocation. GAO believes it was justified for the judge to remain outside the Sixth Circuit because office space was not available for him.

**Immigration Reform:
Alien Verification System
Data Base Problems and
Corrective Actions**

GAO/IMTEC-89-52, June 26.

The Immigration Reform and Control Act required the Immigration and Naturalization Service to implement a nationwide system for use in verifying the immigration status of aliens applying for benefits under certain entitlement programs. In response to the act, INS made its Systematic Alien Verification for Entitlements program available for verifying the immigration status of aliens. Although INS has been aware of SAVE data base problems for some time, GAO analysis showed that data omissions and errors still existed as of September 22, 1988. Since GAO's September 1987 report, INS has taken steps to improve the completeness and accuracy of the SAVE data base. These steps include entering missing information and correcting errors. Additional action recently taken to improve SAVE includes redefining the class of admission code for aliens under the legalization program established by IRCA.

Customs Automation:
Cargo Examinations
Targeted by Automated
Cargo Selectivity System

GAO/TMTEC-89-59, June 27.

The U.S. Customs Service has a mission to ensure the importers and brokers comply with the trade laws when importing goods into the United States. The Automated Commercial System is Customs' single, comprehensive automated system for handling its commercial operations of inspecting imported cargo and collecting assessed duties, excise taxes, fees, and penalties. The cargo selectivity system became operational in April 1985 and, as of March 1989, was available in 159 of the 292 U.S. ports of entry. Statistics provided by Customs show that, during FY 1988 and the first quarter of 1989, over seven million entries filed with Customs were processed through the cargo selectivity system. In this same period, Customs inspectors performed intensive examinations on about 14 percent, or about 980,000, of the entries processed through cargo selectivity. The majority of the intensive examinations were made because of a match with criteria or because an inspector overrode a cargo selectivity recommendation for a general examination or a document review and upgraded it to an intensive examination.

General Government

Financial Audit:
Senate Restaurants
Revolving Fund for Fiscal
Years 1988 and 1987

GAO/AFMD-89-57, June 2.

The restaurant facilities are operated for Senators, employees of the Senate, and, in certain locations, the general public. The Architect of the Capitol, under the direction of the Senate Committee on Rules and Administration, is responsible for managing the restaurants. The financial statements present fairly, in all material respects, the financial position of the Fund as of October 1, 1988, and October 3, 1987. As of October 1, 1988, the Fund had \$941,956 in total liabilities and government equity, and on October 3, 1987, it had \$915,488.

Financial Audit:
House Recording Studio
Revolving Fund for 1988
and 1987

GAO/AFMD-89-77, June 29.

The House Recording Studio makes photographic prints, as well as radio and television tape recordings for Members and committees of the House. The financial statements present fairly, in all material respects, the financial position of the Recording Studio Revolving Fund as of December 31, 1988 and 1987. As of December 31, 1988, the Recording

Studio had total liabilities and government equity of \$1,591,125; and as of December 31, 1987, it had \$1,573,547.

**Financial Management:
Bureau of Indian Affairs'
Consolidation of Billing
and Collection Functions**

GAO/AFMD-89-75BR, June 14.

The Bureau of Indian Affairs is responsible for providing a wide range of services and activities, including education, economic development, employment programs, and general administration, to federally recognized American Indian tribes. In February 1988, BIA initiated an effort to consolidate the functions involved in billing and collecting moneys due for these services into its central accounting operations center in Albuquerque, New Mexico. Staffing of the consolidated billing and collection functions unit and reassignment of those BIA field office employees who were affected by the consolidation are now virtually complete. Since the consolidation, BIA has identified a number of actions it feels are needed to strengthen the billing and collection functions. These include the need to provide additional training; revise its operational procedures, particularly in debt collection requirements and techniques; eliminate the existing reconciliation backlog; and automate the billing and collection process.

**The Public Service: Issues
Affecting Its Quality,
Effectiveness, Integrity,
and Stewardship**

GAO/GGD-89-73, June 6.

Management of the federal government's most valuable resource, its employees, affects the quality of the services it delivers to the public. GAO's work confirms that the state of the public service is not what it needs to be, and, as a result, programs and services have suffered. Some deficiencies and problems were caused by the federal government's inability to consistently (1) assure the quality and effectiveness of its workforce by providing competitive pay, effective planning and recruitment, competent leadership and adequate performance management; (2) enhance the integrity of the public service by effectively curtailing conflicts of interest and enhancing the integrity of administrative systems; and (3) strengthen the stewardship of the public service through more effective leadership by the Office of Personnel Management in the area of human resources management and its administration of the civil service.

**Pay for Performance:
Interim Report on the
Performance Management
and Recognition System**

GAO/GGD-89-69BR, May 18.

Despite 4 years of experience with the Performance Management and Recognition System, focus groups participants and the Senior Executive Service members GAO spoke with raised most of the fundamental problems identified in GAO's January 1987 report. Also, in general, group participants indicated that PMRS is not fully meeting its objectives to motivate and reward employees. Nearly all participants believed that performance was not a major factor in determining who received performance awards and that awards were too small to act as a motivator. Participants did not feel that communication about performance standards and feedback about job performance had improved as a result of PMRS. Although most participants were unhappy with PMRS, they had a few suggestions for improving the system. However, they did not support certain reforms that had been suggested by members of federal employee groups or by congressional staff.

**Federal Employees:
Appointees Converted to
Career Positions, October
Through December 1988**

GAO/GGD-89-66FS, Apr. 24.

For October 1, 1988, through December 31, 1988, 42 agencies reported that they had not appointed any noncareer employees to career positions. The remaining 18 agencies reported 64 conversions, with the Department of Health and Human Services reporting 31, the largest number of conversions. Fifty-three of the 64 conversions were competitive appointments, and 11 were noncompetitive appointments.

**Federal Employees:
Appointees Converted to
Career Positions, January
and February 1989**

GAO/GGD-89-89FS, June 13.

For January 1, 1989, through February 28, 1989, 44 agencies reported that they had not appointed any noncareer employees to career positions. The remaining 16 agencies reported 82 conversions, with the Department of Health and Human Services reporting 28, the largest number of conversions. Seventy-one of the 82 conversions were competitive appointments, and 11 were noncompetitive appointments.

**Intergovernmental
Personnel Act of 1970:
Intergovernmental
Purpose No Longer
Emphasized**

GAO/GGD-89-95, June 19.

The mobility program created by the Intergovernmental Personnel Act allows federal agencies to temporarily assign personnel to and receive personnel from eligible nonfederal organizations, such as state and local governments, institutions of higher education, and Indian tribes and tribal organizations, as well as other organizations approved by the Office of Personnel Management. The program is run for the mutual benefit of all participating organizations. Congress expected that the various programs created by the act, including the mobility program, would improve the personnel resources of state and local governments. Initially, this was the case. Over the years, however, the mobility program has benefited the federal government. Since about 1975, the program has become primarily a way to bring college and university personnel into the federal government. In short, while the act is being followed, most agreements made by federal agencies are no longer serving the act's basic purpose by strengthening state and local governments through the assignment of personnel to and from those governments.

**State Department:
Minorities and Women Are
Underrepresented in the
Foreign Service**

GAO/NSIAD-89-146, June 26.

The Foreign Service was established to help plan and implement U.S. foreign policy and to represent U.S. interests in foreign countries and international organizations. Minorities and women are underrepresented in the State Department's Foreign Service work force when matched against comparable civilian labor force representation, issued by the Equal Employment Opportunity Commission as criteria for determining whether minorities and women are adequately represented in an agency's work force. Between 1981 and 1987 State increased the representation of minorities from 7 percent to 11 percent. The representation of white women remained essentially unchanged at about 24 percent. Minorities and women are still significantly underrepresented at the senior levels of the Foreign Service. The State Department has not had an effective affirmative action plan or program for overcoming the underrepresentation in the Foreign Service. Specific goals and timetables for the hiring and advancement of minorities and women have not been established, as required by EEOC guidelines. In addition, State had not adequately reviewed some aspects of its personnel processes for possible barriers to the hiring of minorities and the advancement of minorities and white women.

Employee Drug Testing Agency Costs May Vary From Earlier Estimates

GAO/GGD-89-75, May 30.

Executive Order 12564 requires each executive branch agency to establish a drug testing program in support of a drug-free federal workplace. Because of concerns over aspects of the Executive Order, Congress included provisions in the 1987 Supplemental Appropriations Act that required certain actions be taken before executive branch agencies could use appropriations to fund drug testing program operations. Among other things, the act required the Office of Management and Budget submit to Congress a 5-year, agency-by-agency analysis of the anticipated annual costs associated with carrying out these drug programs in specified departments and agencies. The act also required that agencies submit an annual report relating to their drug testing activities. GAO analysis showed that the OMB guidance to department specifying the dollar amount to use in estimating certain cost categories may not be indicative of the amount some departments will spend in those categories. Further, in those cost estimates where OMB guidance did not provide specific dollar figures but instructed agencies to calculate their own estimates, differences in departmental estimates suggest that some departments have either overestimated or underestimated their costs. As a result, the estimated programs costs submitted to Congress for 12 civilian cabinet level departments may differ from the actual costs that these departments will incur when their testing programs are fully implemented.

Automated Systems: Legislative Branch Opportunity for Sharing Payroll/Personnel Systems

GAO/IMTEC-89-23, May 23.

The Architect of the Capitol, Library of Congress, and Government Printing Office were experiencing problems with their payroll/personnel systems and that opportunities exist to improve them. GAO identified six executive branch agencies operating systems that can be shared with legislative branch agencies and provide basic payroll/personnel features. Of these six, GAO found the Department of Agriculture's National Finance Center and the Environmental Protection Agency have additional features that make them the most desirable candidates for serving the three legislative agencies. Of the two candidates, NFC is a stronger choice because of its considerable experience in handling agency conversions: EPA has no experience in planning, implementing, and managing conversions of client agencies, while NFC has successfully converted 14 agencies to its system.

**ADP Modernization:
IRS Needs to Assess Design
Alternatives for Its
Electronic Filing System**

GAO/IMTEC-89-33, May 5.

Electronic filing has the potential to streamline the tax processing system by allowing individual tax returns to be filed using computers instead of traditional paper forms. The Internal Revenue Service has spent about \$13 million through FY 1988 developing an electronic filing system. Although this system processed about 538,000 returns during the 1988 filing season, it experienced problems when a major software component was unable to operate as intended. IRS also experienced contracting problems that resulted in payment for defective software. In December 1988, IRS' electronic filing project office drafted a proposal for enhancing the current system to achieve the agency's 1990 goal of expanding the availability of electronic filing nationwide. GAO's concern about this approach to expand electronic filing is (1) the system was originally developed solely as an interim measure until a nationwide system could be fielded, and (2) IRS has not demonstrated that this approach is the best for achieving the agency's ultimate goal for electronic filing. Before making a major financial commitment to expand the current system, IRS should clearly define its nationwide needs, analyze alternative approaches for meeting those needs, and resolve its software development problems.

**Computer Security:
Compliance With Security
Plan Requirements of the
Computer Security Act**

GAO/IMTEC-89-55, June 21.

Under the Computer Security Act, federal agencies must establish a plan, by January 8, 1989, for the security and privacy of each federal computer system containing sensitive information and submit such plans to the National Institute of Standards and Technology and the National Security Agency. In January and early February 1989, GAO sent a questionnaire to the 85 federal agencies that were determined not to be specifically exempted from compliance, to ascertain whether they submitted their security plans to NIST so they could be jointly reviewed by NIST and NSA. Between January 31, 1989, and April 19, 1989, GAO received 83 responses. Fifty agencies reported that they submitted all their security plans to NIST. Eleven agencies submitted some of their plans to NIST for review by the due date. Five agencies submitted no security plans to NIST. And 17 agencies reported that they had no computer systems that process sensitive information, as defined by the act.

**Tax Administration:
IRS' Interpretative
Guidance Implementing
the Tax Reform Act**

GAO/GGD-89-40, June 19.

This report provides information on interpretative guidance the Internal Revenue Service and the Department of the Treasury provided to taxpayers in implementing the Tax Reform Act of 1986. Because of time constraints in publishing such rulemaking documents on the act's provisions, IRS put significantly more emphasis on publishing interpretative guidance in its announcements and notices. To implement the act, IRS developed a priority list of act sections that, in its opinion, required some type of early interpretative guidance. IRS' implementation plan provided for publishing 135 regulations, 25 revenue rulings, 13 revenue procedures, 33 notices, and 11 announcements. As of December 31, 1987, 81 of the 92 regulations and all of the 13 revenue procedures planned for publication before the 1988 filing season were still in process. In contrast, 14 of the 25 revenue rulings, 28 of the 33 notices, and 10 of the 11 announcements scheduled for early publication were published in time for the filing season and nearly all had been issued by April 30, 1988. The sufficiency of the interpretative guidance provided to taxpayers will probably not be known for another year or two, pending results of IRS audits of tax returns subject to the act. As a result of the lessons learned from issuing a revised Form W-4 without obtaining comments from the general public, IRS pretested new and revised tax forms before they were published in final form, and made some changes on the basis of comments received.

**Tax Policy:
Tax-Credit and
Subtraction Methods of
Calculating a Value-Added
Tax**

GAO/GGD-89-87, June 20.

A value-added tax is a tax collected on the difference between a business' sales and its purchases, otherwise known as the business' "value added." The two principal ways to calculate a national value-added tax are the subtraction method and the tax-credit or invoice method. The subtraction method calculates the tax using information on the total business activity of a firm. The tax-credit method calculates the tax for each transaction. Whether or not a value-added tax achieves the policy goals established for it could depend, in certain cases, on the method chosen to calculate the tax. There are advantages in designing a value-added tax to be as simple as possible and in applying it to the broadest possible base. However, there may be overriding concerns, such as offsetting regressivity or keeping the tax from harming exports, necessitating design features that would make the tax more complex or limit the tax base. The subtraction method is simple to calculate but may not be fully compatible with certain of the design features. Conversely, the tax-

credit method allows great flexibility in the design and use of a value-added tax, enhancing the tax's ability to respond to a variety of tax policy goals. Little is known about what the administrative and compliance costs might be for a value-added tax in the United States. Better information on these issues would be needed to make informed decisions on a subtraction versus a tax-credit value-added tax.

**Postal Service:
Progress Made in
Restoring Deteriorated
Northern Virginia Mail
Service**

GAO/GGD-89-88, June 16.

The number of postal complaints being filed by customers in the northern Virginia area indicated a wide-spread degradation of mail services. The Postal Service allowed mail delivery at post offices in northern Virginia to become a major management problem before taking corrective action. The Postal Service could not keep mail deliveries current because (1) the number of deliveries and mail volume increased and (2) there were not enough people to process and deliver mail. The Postal Service responded in November 1987 by sending "Action Teams" to northern Virginia to deliver backlogged mail and identify and correct the underlying causes for the mail backlogs. In April 1988, the Postal Service appointed a new manager who made improved service to the customer his primary goal. This commitment is currently being fulfilled. However, on the basis of future population forecasts, the demand for mail delivery services in northern Virginia will not reverse its growth trend during the next decade. The Postal Service must make provisions to handle this growth through realistic planning and commitment of sufficient resources.

**Impoundment of Funds:
Five New Deferrals for
Fiscal Year 1989**

GAO/OGC-89-10, June 2.

The President's fourth special impoundment message for FY 1989, revises the amounts of five deferrals previously reported. The total amount of deferred funds for the Departments of Agriculture, Defense, Energy, Health and Human Services, and Justice was \$649,664,000.

**Budget Issues:
Biennial Budgeting Bills in
the 101st Congress**

GAO/AFMD-89-79BR, June 20.

Six biennial budgeting bills with various features have been introduced in the 101st Congress. GAO has long advocated reform that would streamline the congressional budget process and has long been interested in biennial budgeting as a possible means of accomplishing this.

GAO believes that macro-level biennial budgeting offers perhaps the best opportunity for streamlining the budget process.

GAO/NSIAD-89-145, June 8.

GAO reviewed agencies' procedures and practices for granting historians and former presidential appointees access to classified documents. Executive Order 12356 limits individuals' access to classified information. However, agencies may waive the requirement for historical researchers and former presidential appointees if the agencies determine that access is consistent with the interest of national security, take steps to protect classified information from unauthorized disclosure or compromise, and ensure that the information is safeguarded in a manner consistent with the order. The Order assigns responsibility to the Director, Information Security Oversight Office, to develop governmentwide implementing directives and provides for agencies to issue regulations implementing the order and directives. The lack of guidance for granting access to historians and former presidential appointees in the Oversight Office directive has resulted in differences in agency regulations. The directive did not identify the requirements for an individual to be considered a "former presidential appointee" or "historical researcher" or establish definitive security standards regarding the protection of classified information that is released to researchers and appointees. Although GAO found no adverse consequences because of the differences in agency procedures, situations could arise when historical researchers could be granted access to classified information in one agency, but be denied access to similar information at another.

Information Security: Controls Over Unofficial Access to Classified Information

Congressional Testimony by GAO Officials

Implementation Status of the Federal Technology Transfer Act of 1986, by John M. Ols, Resources, Community, and Economic Development Division, before the Subcommittee on Science, Research, and Technology, House Committee on Science, Space, and Technology, June 1. GAO/T-RCED-89-47.

Medigap: Insurance Effects of the Catastrophic Coverage Act of 1988 on Future Benefits, by Michael Zimmerman, Human Resources Division, before the Senate Committee on Finance, June 1. GAO/T-HRD-89-22.

Medicare: Referring Physicians' Ownership of Laboratories and Imaging Centers, by Michael Zimmerman, Human Resources Division, before the

Subcommittee on Health, House Committee on Ways and Means, June 1. GAO/T-HRD-89-24.

Observations on the Financial Institutions Reform, Recovery and Enforcement Act of 1989, by Frederick D. Wolf, Accounting and Financial Management Division, before the House Committee on Banking, Finance and Urban Affairs, June 1. GAO/T-AFMD-89-10.

GAO's Views on an Independent Social Security Administration and the Personal Earnings and Benefit Statement, by Joseph F. Delfico, Human Resources Division, before the Subcommittee on Social Security and Family Policy, Senate Committee on Finance, June 2. GAO/T-HRD-89-23.

Implementation of the CHAMPUS Reform Initiative, by David P. Baine, Human Resources Division, before the Subcommittee on Manpower and Personnel, Senate Committee on Armed Services, June 5. GAO/T-HRD-89-25.

Use of Consulting Services in Defense Acquisition, by Harold J. Johnson, National Security and International Affairs Division, before the Subcommittee on Investigations, House Armed Services Committee, June 7. GAO/T-NSIAD-89-36.

Air Fares and Service at Concentrated Airports, by Kenneth M. Mead, Resources, Community, and Economic Development Division, before the Subcommittee on Aviation, Senate Committee on Commerce, Science, and Transportation, June 7. GAO/T-RCED-89-37.

Medicare: Referring Physicians' Ownership of Laboratories and Imaging Centers, by Michael Zimmerman, Human Resources Division, before the Subcommittee on Health and Environment, House Committee on Energy and Commerce, June 8. GAO/T-HRD-89-26.

Transfers of Military Assistance Fuels by El Salvador, by Frank C. Conahan, National Security and International Affairs Division, before the Subcommittee on Foreign Operations, Senate Committee on Appropriations, June 8. GAO/T-NSIAD-89-37.

Capabilities for Interdicting Airborne Drug Smugglers Are Limited and Costly, by Arnold P. Jones, General Government Division, before the Senate Permanent Subcommittee on Investigations, June 9. GAO/T-GGD-89-28.

Status of the Department of Energy's Waste Isolation Pilot Plant, by Keith O. Fultz, Resources, Community, and Economic Development Division, before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations, June 12. GAO/T-RCED-89-50.

Information Technology Utilization by the Federal Government, by Ralph V. Carlone, Information Management and Technology Division, before the Subcommittee on Government Information and Regulation, Senate Committee on Governmental Affairs, June 12. GAO/T-IMTEC-89-9.

International Trade: Administration Short Supply in Steel Import Restraint Agreements, by Allan I. Mendelowitz, National Security and International Affairs Division, before the Subcommittee on Trade, House Committee on Ways and Means, June 13. GAO/T-NSIAD-89-38.

The President's Ethics Proposals, by Bernard L. Ungar, General Government Division, before the Subcommittee on Human Resources, House Committee on Post Office and Civil Service, June 13. GAO/T-GGD-89-29.

Commodity Credit Corporation's Export Credit Guarantee Programs, by Allan I. Mendelowitz, National Security and International Affairs Division, before the Subcommittee on Tobacco and Peanuts, House Committee on Agriculture, June 14. GAO/T-NSIAD-89-41.

Employee Benefits: Companies' Retiree Health Liabilities Large, Even With Medicare Catastrophic Insurance Savings, by Lawrence H. Thompson, Human Resources Division, before the Subcommittee on Oversight, House Committee on Ways and Means, June 14. GAO/T-HRD-89-29.

Use of Surplus Dairy Products in the National School Lunch Program, by William E. Gahr, Resources, Community, and Economic Development Division, before the Subcommittee on Nutrition and Investigations, Senate Committee on Agriculture, Nutrition, and Forestry, June 14. GAO/T-RCED-89-49.

Making Superfund Work Better: A Challenge for the New Administration, by Richard L. Hembra, Resources, Community, and Economic Development Division, before the Subcommittee on Superfund, Ocean and Water Protection, Senate Committee on Environment and Public Works, June 15. GAO/T-RCED-89-48.

Criminal Bail: How Bail Reform is Working in Selected District Courts, by Arnold P. Jones, General Government Division, before the Subcommittee on the Constitution, Senate Committee on the Judiciary, June 16. GAO/T-GGD-89-30.

Adequacy of Department of Defense Operational Test and Evaluation, by Frank C. Conahan, National Security and International Affairs Division, before the Subcommittee on Federal Services, Post Office and Civil Services, Senate Committee on Governmental Affairs, June 16. GAO/T-NSIAD-89-39.

Meeting the Needs of Children in a Home-Based Setting, by J. William Gadsby, Human Resources Division, before the Senate Committee on Finance, June 20. GAO/T-HRD-89-30.

General Accounting Office Reviews of Agricultural Research Activities, by John W. Harman, Resources, Community, and Economic Development Division, before the Subcommittee on Agricultural Research and General Legislation, Senate Committee on Agriculture, Nutrition, and Forestry, June 20. GAO/T-RCED-89-51.

Creation of a Department of Environmental Protection, by Harry S. Havens, Assistant Comptroller General of the United States, before the Subcommittee on Legislation and National Security, House Committee on Government Operations, June 21. GAO/T-RCED-89-52.

International Terrorism: Status of GAO's Review of the FBI's International Terrorism Program, by Arnold P. Jones, General Government Division, before the Subcommittee on Civil and Constitutional Rights, House Committee on the Judiciary, June 22. GAO/T-GGD-89-31.

Vocational Education: Opportunity to Prepare for the Future, by William J. Gainer, Human Resources Division, before the Subcommittee on Education, Arts, and Humanities, Senate Committee on Labor and Human Resources, June 22. GAO/T-HRD-89-31.

Locality Pay for Federal Employees, by Rosslyn S. Kleeman, General Government Division, before the Subcommittee on Employment and Housing, House Committee on Government Operations, June 26. GAO/T-GGD-89-27.

Federal Supervision of Overseas Lending by U.S. Banks, by Allan I. Mendelowitz, National Security and International Affairs Division,

before the Subcommittee on International Development, Finance, Trade and Monetary Policy, House Committee on Banking, Finance and Urban Affairs, June 27. GAO/T-NSIAD-89-42.

Government Printing Costs and Printing Management at Five Selected Departments, by L. Nye Stevens, General Government Division, before the Subcommittee on Procurement and Printing, House Committee on House Administration, June 28. GAO/T-GGD-89-34.

Job Training Partnership Act: Comments on H.R. 2039, The JTPA Amendments of 1989, by William J. Gainer, Human Resources Division, before the House Committee on Education and Labor, June 29. GAO/T-HRD-89-32.

Justice Department May 22 Reprogramming Proposal Concerning the Immigration and Naturalization Service, by Henry R. Wray, Office of the General Counsel, before the Subcommittee on Immigration, Refugees and International Law, House Committee on the Judiciary, June 29. GAO/T-OGC-89-1.



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